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Approved by:

Steve Huete, Agricultural Counselor

U.S. Embassy

Prepared by:

Miguel Herrera, Agricultural Specialist

Ana Iglesias, Marketing Assistant

Report Highlights:

Growth in the retail & HRI sectors continues to bolster consumption of U.S. food/beverage products. Ongoing free trade negotiations are also providing new opportunities for Salvadoran exports which in turn help increase foreign revenue and purchasing power of the Salvadoran consumer. U.S. exporters should take advantage of the local consumer's perception that U.S. food products are of higher quality and safer. The processing sector is continuously demanding food ingredients which provides an excellent opportunity for U.S. manufacturers.

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I. MARKET OVERVIEW

Business Climate:

The Government of El Salvador (GOES) is currently forecasting a 3 percent GDP growth in 2003, up from the 2.1 percent posted in 2002. The inflation rate for 2003 is projected at 3 percent by the Salvadoran Central Bank (BCR). Other positive business climate features include a dollarized economy, free trade agreement negotiations, rising international reserves, low debt burden, continued tariff reductions, streamlined customs procedures, and completion of the GOES's program to privatize basic infrastructure such as telecommunications and energy distribution and the administration of pension funds. The GOES is also analyzing the possibility of conceding El Salvador's major port (Acajutla) to the private sector, and is finalizing design details for a new container port in the Gulf of Fonseca (Cutuco) which is expected to start operations in late 2004. In addition, El Salvador operates the most modern airport in the Central American and Caribbean region, offering excellent facilities for shipment of products into the local market.

The present Salvadoran Government is committed to an open market economy. With the reduction of import tariffs and removal of almost all non-tariff trade barriers, the climate for successful business in El Salvador has improved significantly during the last few years. The Salvadoran businessman is very sharp and likes to stay abreast of all business issues. The privatization of the banking system has created an array of financing options for local importers. In addition, establishing good-standing credit with foreign suppliers, who in turn might extend payment terms, complements the availability of funds to transact business. Customary business practices in El Salvador are very similar to those in the United States. Salvadorans are very open, frank and rely on trust among the parties involved.

El Salvador is a unique, dynamic market that is ranked as one of the most transparent business climates in all of Latin America. Most large importers/distributors are members of the Salvadoran Distributors Association (ADES). ADES manages the relationship of its members with local retailers, wholesalers and supermarkets. The Salvadoran consumer is very familiar with U.S. products and is an avid purchaser of quality goods. More than 2 million Salvadorans reside in the U.S., and they annually remit close to 2 billion dollars to relatives in El Salvador. The remittances in turn raise the disposable income and expenditures of Salvadoran consumers. Many Salvadorans have become "Americanized". The typical consumer believes that U.S. products are of superior quality and is generally willing to pay a premium price. Nevertheless, the relatively high price of U.S. products can be a constraint to increased market share and attracting new customers. In addition, while opportunities exist for U.S. suppliers, competition from Central America, Mexico, Chile and the European Union (EU) is stiff.

In El Salvador, consumer-ready foods are moved by distributors through a number of channels. Supermarkets are the principal outlets, but a fair amount is moved through wholesalers who may be supermarket owners themselves or who may be middlemen delivering products to smaller stores. Distributors normally handle product on an "exclusive" basis, most often as representatives of a line of products. Direct sales are also a way of doing business, however having a local distributor facilitates the operation and also provides solid customer service.

Low prices for El Salvador's largest export commodities (coffee and sugar), back to back earthquakes and indirect effects of a global economic slowdown have slowed consumer spending in 2003. However, the GOES is betting on ongoing free trade negotiations to bolster economic productivity. El Salvador has signed free trade agreements with Mexico, Chile, the Dominican Republic and Panama; and is in the process of negotiating similar agreements with Canada, the United States and the European Union.

Market Opportunities for High-Value Consumer Foods/Beverages and Edible Fishery Products:

- Consumer spending has slowed and is affecting sales of higher-priced food and beverage products. As a result, some U.S. products have suffered.
- Salvadorans spend approximately 43 percent of their income on food.
- In 2002 according to U.S. Bureau of Census figures, U.S. agricultural and edible fishery product exports to El Salvador totaled \$ 217.7 million.
- U.S. Exports to El Salvador in the consumer-oriented product category was \$ 33.1 million in 2002.
- The Salvadoran market may be significantly larger than portrayed by U.S. export data. A large portion of El Salvador's imports of consumer-oriented products are actually registered as imported by Guatemala. The main reason is that many containers come through Guatemala's Santo Tomas port and even though they are in transit to El Salvador, local customs officials tally them as Guatemalan imports.
- Population growth was 2.0 percent in 2002.
- It's estimated that 49 percent of the population lives in urban areas. There are four major cities: San Salvador, San Miguel, Santa Ana and Sonsonate. The capital city of San Salvador accounts for approximately one-third of the country's 6.4 million population (2002 revised data).
- Households earning \$ 400 to \$ 1,500 per month and above are considered to be in the middle to middle-upper income classes. There are approximately 460,000 households in this category and as might be expected 60 percent reside in urban areas. It is estimated that about 1.2 million people or 15 to 20 percent of the population is middle class.
- Growth in the supermarket industry continues at a rapid pace, mainly in the working class areas of the capital and in towns and cities with populations of 50,000 to 250,000.
- Consumers are increasingly purchasing in supermarkets and moving away from the traditional

open-air markets or mom-and-pop stores. It is estimated that approximately 40 percent of food sales are made in supermarkets.

In summary, there are at least 1.2 million consumers or 20 percent of the population who are buying U.S. consumer-ready products. With an increase of housewives joining the labor force and a decline in the number of domestic employees to assist in food preparation, the demand for convenience and fast foods will increase. The positive association with U.S. brands is a major advantage over competitive products from other countries. All distributor and supermarket management agree that the Salvadoran consumer has brand loyalty. In addition, as the market grows, an expansion of foreign supermarket chains and a consolidation of local and foreign ones continues to take place. This trend will definitely increase the demand for imported products into the local market.

Advantages and Challenges Facing U.S. Products in El Salvador

Advantages	Challenges
U.S. food products are perceived as being of high quality and safe to consume	Continued protection to domestic producers of certain products such as poultry, pork and dairy
Large Salvadoran community in the U.S. remits approx. \$ 2 billion per year and familiarizes relatives with U.S. brand products	With the reduction of tariffs within the Central American region, competition for retail shelf space has increased
Expanding supermarket industry creates opportunity for new to market products	SPS regulations are a constraint, especially product registration and laboratory analysis at the Ministry of Health
Shipping costs for container cargo lower than the competition from outside Central America	Apathy of U.S. exporters toward the Salvadoran market because of the past civil war and the small size of the market
Well stocked inventories of U.S. products	Distributors' concerns about receiving from U.S. suppliers either out-dated or soon to be out-dated products.
Consolidation of products by brokers in Miami, FL.	Lack of service and marketing strategy for the local market
Growing demand for convenience and fast food products	Trend towards tougher labeling laws

Variety of products and sizes	Need for more freezer and refrigeration equipment. Local industry has limited experience in handling and marketing such products
Increased use of ready to eat products by time-pressed households	Competition from Mexican, Chilean and Panamanian products due to lower tariffs derived from the recent signing of free trade agreements
Major U.S. food shows are well known and visited by Salvadoran importers	Overall, price is still the most important variable when consumers decide what to purchase

II. EXPORTER BUSINESS TIPS

Business Customs:

Salvadoran business relationships and meetings are, at first, formal. One is expected to use proper titles, shake hands before and after your meeting, and not to use a person's first name until a relationship has been solidified. Salvadorans commonly use titles such as Licenciado (meaning a college graduate), Ingeniero (engineering graduate), or Doctor (used both for physicians and lawyers). These are followed by the person's last name.

El Salvador tends to be very much a business card society and it is important upon first meeting someone to exchange business cards with him or her. It is an excellent practice to have a ready supply of business cards in Spanish.

Breakfast meetings are common and begin about 7:30 a.m. Lunches and dinners can become lengthy affairs (2-3 hours), so it is advisable to not plan a tight schedule around them. Dinners start late by U.S. standards, frequently at 8:00 or 9:00 p.m. Lunch is usually at 12:30 p.m. and is the largest meal of the day.

Consumer Tastes and Preferences:

The four basic foods for the vast majority of the population in order of importance are: tortillas from white corn, beans, eggs, and rice. Bread, milk, meat, fruit, vegetables (fresh, canned and frozen), snacks and juices are readily consumed in varying quantities depending upon income level. Generally, people living in the city consume more bread and meat and less tortillas and beans.

Salvadoran consumers are very familiar with U.S. style food. Most U.S. fast food franchises have outlets in El Salvador. Food courts located in shopping malls are popular and viewed as a perfect place to socialize. Delivery service has caught on quickly in this market.

As more women join the labor force, there is less time for meal preparation at home. In addition,

domestic servants are finding better-paying jobs in the growing maquila (cut and sew) industry. As a result, the average housewife is changing her preference towards ready-to-eat or easy preparation meals.

U.S. foods such as hot dogs and hamburgers are preferred by the younger generation. Ramen- style soups have fulfilled a niche in the construction and maquila sector. These soups are a quick and inexpensive lunch for thousands of laborers who can't afford to pay for a regular cafeteria meal.

Food Standards and Regulations:

Food safety is in the developing stage in this market. The GOES, through the Ministry of Public Health and Social Assistance (MPHSA), actively monitors and regulates all food safety issues. In addition, the Ministry of Agriculture (MAG) through the Division for Inspection of Animal Origin Products (IPOA) is in charge of assuring safe dairy and meat products to the local consumer. The Ministry of Economy also has a Consumer Protection Agency which actively ensures that all products available in the market are safe for human consumption. Even though all these government agencies try to enforce food safety regulations, many local consumers still value price over safer products. This is specially the case in open-air markets where food sanitation is not a priority.

El Salvador does not have a specific Food Law that applies to imported foodstuffs. Instead, the Health Code is the most widely used instrument to enforce local food safety. The MPHSA is in charge of all registrations and authorizations to import, manufacture, and sell foodstuffs, beverages, and any raw materials used in the production process. The most pertinent regulation used to enforce proper health safety on imported foodstuffs is Section 12/Article 88 of the Salvadoran Health Code. This particular article states that in order to import any food or beverage, they have to be authorized through a Certificate of Free Sale and Consumption rendered by the Environment Safety Department (DSA) of the MPHSA. Each respective certificate must include the name of the product and its ingredients. Other products such as fresh produce and products of animal origin are regulated by the Plant and Animal Health Division (DGSVA) of the Ministry of Agriculture.

The GOES has lacked the initiative to design a program geared towards the implementation of food safety laws with proper enforcement. The main problem has been attributed to limited resources due to the higher priority of the Salvadoran government for the 2001 earthquake reconstruction efforts. However, local policy makers are beginning to react to criticism by unsatisfied consumers regarding food safety and quality control. A Consumer Protection Law was ratified by the National Assembly and has been in effect since April 1996. According to the law, the Ministry of Economy through the Consumer Protection Agency (DGPC) will be the entity that will enforce all the dispositions stated in this law.

Most food products are inspected for safety at the port of entry. In addition the MPHSA carries out random testings at the retail and wholesale level to make sure that foodstuffs comply with all the required health and quality standards. Nevertheless, many unchecked products manage to reach their final destinations due to lack of human resources and infrastructure to control illegal distribution channels.

The trend in food safety in El Salvador is for tighter control and more efficient regulations. The tendency is leaning towards the use of Codex Alimentarius norms. Meanwhile, Central American norms and in some instances FDA regulations are being used until Codex norms are revised and adopted.

The MPHSA requires the following labeling information for all products sold in El Salvador:

1. The label should express the nature of the product, composition, quality, origin and general processing method.
2. Name of the product: must be the specific name.
3. Net Content: It must be expressed in decimal metric system units.
4. Ingredients: They should be listed with their proper names, in decreasing order, according to their importance in the composition of the product. It is no necessary to identify the percentage of each ingredient.
5. Additives: Must be mentioned by the group it belongs to (for example: antioxidant), followed by its specific name and its concentration in the final product.
6. Lot identification and manufacturing date: in order to identify the lot, a code can be used, which must be provided and clarified to the Health authorities. To identify the manufacturing date, 6 digits must be used (year, month, and day).
7. Expiration date: When a product has limited life period, it must be declared on the label: "PREFERABLY CONSUME BEFORE", followed by the day and month, for food products whose duration is more than 3 months, but less than 18 months. The food products which expire in shorter periods, should include: "expiration date", with the day and month.
8. Preservation instructions.
9. Manufacturer's name: The label must include the manufacturer, importer, dealer, distributor or legal representative of the product, and their respective addresses.
10. Sanitary Registry: The label must declare the number of Sanitary Registry (Reg. No. D.G.S. El Salvador), issued by the Environmental Health Department, Section of Food Safety of the Ministry of Health.
11. Product country of origin.
12. The product must contain the name and address of the supplier in El Salvador in the form of a sticker, which is usually provided by the supplier or distributor.

El Salvador's labeling law requires that the product description be in Spanish. There is no enforcement at this time. However, there is a potential risk to U.S. exporters that El Salvador may eventually enforce its law and as such U.S. suppliers should be cognizant of this requirement.

In order to define if a product can be imported with only the standard U.S. label, it would be necessary to examine U.S. labeling norms and compare them to the general norms of the Codex Alimentarius for labeling of foodstuffs. The National Council for Science and Technology (CONACYT) is currently working on labeling regulations based on the Codex. Due to lack of resources the GOES has not enforced this policy and food products with only U.S. labels can be seen throughout the distribution chain. However, the GOES is currently requires that a sticker in Spanish which includes a list of

ingredients, manufacturing method, and expiration date be used until the requirement of Spanish-English labels can be fully implemented.

Stick-on labels are not allowed, since this could lead to consumer fraud. However, this will have to be discussed with the Consumer Protection Agency of the Ministry of Economy. Labeling regulations are enforced by the MPHSA through the DSA and the Ministry of Economy through the DGPC. All products should be properly labeled prior to distribution for human consumption.

Sample-size product labeling requirements are identical to those listed above. However, local authorities are a bit lenient with this type of product due to the small quantities that are imported. In addition, most samples are sent through private PO boxes and are seldom inspected by the MPHSA.

Bulk-packed or institutional size products are required to visibly display the contents and ingredients either on the container or package.

Nutritional labeling is not required by the MPHSA. The U.S. nutrition panel needs to be analyzed by the Nutrition Department of the MPHSA in order to be accepted.

According to local health officials the possibility of consumers being misled by U.S. labels exists. Mainly due to the fact that most people don't speak English, they could be basing their opinion on the picture that is used on the label by U.S. manufacturing companies.

The only requirements for shelf-life of a product is the actual expiration date and manufacturing date. The DGSVA requires a country of origin certificate for all products that are imported to El Salvador.

The GOES does not grant any exceptions under the labeling law. However, in extreme cases the MPHSA can analyze a product in order to guarantee consumer health and decide whether that particular product can be imported for human consumption.

Both Uniform Code Council (UCC) and EAN bar codes are acceptable in El Salvador. Bar coding is rapidly becoming an important instrument in the food business. All local supermarket chains signed an agreement to have all of their products coded. The process was handled by the Salvadoran Chamber of Commerce through its Strategic Commercialization Department (DIESCO) and completed in 1996.

Import and Inspection Procedures:

Usually when clearing a product through customs, a Customs inspector, a Customs Policeman, and a MPHSA inspector are involved in the process. English is the commercial language used for import documents. On average, it takes approximately 3 to 5 days to clear a product through customs. Most importers use a customs agent to expedite the clearing procedures. At this time, there is no appeals system in place for disputed product rejections. Customs does not generally require import licenses. However, when the imported goods are vegetables or animal products, a license from the Ministry of Agriculture is needed to certify that the goods meet local health and sanitary regulations.

The steps in customs clearance for a prepackaged foodstuff are:

1. Request Import Permit from DGSVA.
2. Once the import permit has been granted by DGSVA, the importer must take the sanitary registration, packing list, bill of lading, insurance policy, airway bill, shipping information and product invoices to the Revenue Department at the Ministry of Finance (Ministerio de Hacienda) to get the policy for payment of import tariff.
3. The import policy has to be cleared by Customs, Customs Police and OIRSA (Regional Organization for Agricultural Sanitation).
4. Customs Police conducts an inspection of the product.
5. When product has been cleared by Customs Police, it can be withdrawn by the importer.

The Ministry of Hacienda implemented in 1998 a system designed to expedite customs procedures. This new system, called "Teledespacho", uses satellite technology to allow importers/exporters to send their commercial invoices, bills of lading, and airway bills through an electronic link or web to the Salvadoran customs office to be processed. All customs agents will have access to this satellite system through an individual code which will enable them to get in contact with customs. This system is also available to import/export companies that have offices outside El Salvador. These companies can purchase the software that will enable them to get hooked up to the customs satellite system to send their product invoices. The Teledespacho system will make it possible for merchandise to clear customs 24 hours a day, seven days a week.

In addition to Teledespacho, the GOES has established an "Autoliquidation" process that allows the presentation, assessment, calculation and payment of duties directly by the importer, without physical inspection of the merchandise in 85 percent of the cases. Local businesses, importers and shippers have noticed a big improvement in the operation of Salvadoran customs since the initiation of the abovementioned reforms.

Additional information on food standards and regulations, and import and inspection procedures can be found in El Salvador's Food and Agricultural Import Regulations and Standards (FAIRS) report written by this office and available through the USDA homepage www.fas.usda.gov/scriptsw/attacherep/default.asp.

III. MARKET SECTOR STRUCTURE AND TRENDS

Opportunities for consumer-oriented foods/beverages and edible fishery products are most notable in the retail sector. The main reason is the rapid expansion of the supermarket industry in this market. In 1995 there were a total of 57 stores in El Salvador. By the end of 2003 this number is expected to reach 134 nationwide. Supermarkets currently handle approximately 40 percent of the food retail market. Supermarket growth in working class areas and smaller cities outside the capital is impressive. Consumers are continually switching from the traditional open-air markets and mom-and-pop stores to the convenience and security offered by the new U.S. style super-and hypermarkets. Other added services offered by supermarkets such as banking, film developing, dry cleaning, fresh bakery, cafeterias, courier, just to name a few, are luring time pressed customers who seek a one-stop establishment to do food shopping and other errands. Well-lighted parking and security guards are also a factor in the popularity of supermarket shopping.

Following is a summary of key developments for each sector:

Retail Sector

- Reported supermarket sales for 2002 were \$ 414.7 million.
- By the end of 2003 there will be 100 convenience stores owned by three gas distributors with estimated sales of \$56.4 million.
- Prepared food stuff imports in 2002 reached \$ 259.1 million.
- U.S. consumer-oriented and edible fishery product imports were \$ 33.3 million in 2002.
- The Salvadoran retail sector tends to duplicate the U.S. pattern of merchandising. Point of Sale (POS) material, sampling and end-of-aisle displays are emphasized. In addition, newspaper inserts to publish sale items are used.
- Holiday sales such as St. Valentine's, Mother's Day, Secretary Day, etc. are very common.
- Recently, a few local Internet companies that offer food products have appeared in the market. However, these companies mainly target the Salvadoran population that resides in the U.S.
- With the assistance of the U.S. Meat Export Federation, a frozen and refrigerated food distributor has successfully introduced U.S. beef and pork cuts into a supermarket chain.

For additional information on the retail food sector, refer to El Salvador's Retail Food Sector Report available through the USDA homepage www.fas.usda.gov/scriptsw/attacherep/default.asp.

Supermarkets, Hypermarkets and Club Outlets	Current Stores	New Stores 2002-2003 (Estimate)
Selectos	54	2
La Despensa de Don Juan 1/	31	1
De Todo 2/	13	0

Despensas Familiares 3/	24	1
Europa	4	0
Hyper Paiz 4/	2	0
Price Smart 5/	2	0
TOTAL	130	4

1/ Bought in 2002 by Central American Retail Holding Corporation (CARHCO), who also operates Hyper Paiz stores.

2/ Smaller popular area stores owned by Super Selectos.

3/ Smaller popular area stores owned by Grupo Paiz of Guatemala.

4/ Large hypermarket owned by Grupo Paiz of Guatemala.

5/ Joint venture U.S./Salvadoran club style store.

Hotel, Restaurant, Institutional (HRI) Food Service Sector

- HRI sector size for 2002 is estimated at \$284 million.
- The fastest growing area in the HRI sector is the Corporate Hotel Industry.
- In the period 1999-2002 two new hotels were built and another three were completely remodeled for a total investment of approximately \$65 million.
- Currently, a five star hotel and an all suites hotel are under construction.
- All major hotels have established franchise or operational contracts with international hotel chains such as Holiday Inn, Marriott, Radisson Plaza, Choice and Inter-Continental.
- Hotels usually invite international chefs to prepare specialty dishes. An example is a New Orleans "Cajun Style" food festival recently held by a local hotel. This type of promotional activity offers great opportunities for many U.S. consumer-oriented and edible fishery products.
- Wine distributors have capitalized on the growth of hotels and restaurants by continually carrying out promotional/marketing activities. Wine imports reached \$ 1.9 million in 2002.
- U.S. wine market share in 2002 reached 8.4 percent. Chile, Spain, Italy and France are the largest competitors.
- Imported beer sales are also growing, reaching \$3.2 million in 2002.
- U.S. beer market share reached 19.9 % in 2002. Mexico is the largest exporter of beer to El Salvador with sales of \$2.1 million in 2002.
- Fast food restaurants have grown dramatically over the last five years. Pizza Hut alone has over 30 stores nationwide. Kentucky Fried Chicken, Bennigan's, Pollo Tropical and Tony Roma's are new players in this segment.
- There are only two food service distributors in the market. They mainly specialize in red meats.
- 98 percent of all sales to this sector are handled by the same distributors/wholesalers that tender to the retail sector.

- Price Smart is expecting to capture a large amount of business from the HRI sector by providing economies of scale on larger size packaging.
- Two water parks that offer cafeteria service were opened in 2002 offering opportunities for food service products.
- Cooperation among FAS and the U.S. Meat Export Federation has helped introduce U.S. beef and pork cuts into the HRI sector. Several U.S. Meat Festivals have been carried out with major Hotels and Restaurants. Usually, a U.S. chef participates in the festival providing training to local chefs.
- This sector is expected to grow 5 percent in 2003.

Food Processing Sector

- The food processing sector in El Salvador is not as developed as in Guatemala or Costa Rica.
- Snack food production is at the top of the list in this sector.
- The DIANA brand produced in El Salvador offers respectable quality for the price, and has roughly 73 percent of the market. In addition, this company is the largest snack producer in Central America and is already exporting certain products to ethnic markets in the U.S.
- Other local snack producers are BOCADELI and IDEAL. These companies are working hard to increase market share and offer a wide variety of snacks.
- U.S. suppliers can take advantage of the need for ingredients from these snack producers.
- In the third quarter of 2002, a U.S. trade mission comprised of 5 ingredient companies from the states of Washington and Nevada visited El Salvador. In 2003, sales from this mission are expected to reach approximately \$900,000.
- Another important industry in this sector is meat processing. There are approximately 6 companies which are members of the Salvadoran Meat Processors Association (ASICARNE). Imports of U.S. pork meat by this sector have grown tremendously over the last two years.
- The Salvadoran population is a large consumer of sausage products.
- However, there is strong competition in the processed meat market from Honduras, Guatemala, Costa Rica, Mexico and the U.S.
- There are also two or three large dairy processors in the market. They offer a wide variety of products which include cheese, yogurt, and sweet cream. The dairy industry also has an association called APPLE (Salvadoran Association of Milk Processing Plants).
- The bakery industry is the last component of the food processing sector. Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains.
- In 2002 the food processing industry reached approximately \$217 million in size.
- Snack, dairy and bakery manufacturers are very optimistic about the ongoing Central American Free Trade Agreement (CAFTA) negotiations and believe that CAFTA provides an excellent growth opportunity.
- Growth for this industry is estimated at 4.5 percent for 2003.

Best Market Entry Strategy for New-to-Market Exporters

In order to attract new consumers to purchase U.S. food and beverage products, a well-planned marketing campaign at the retail level is needed. This campaign must include sampling and easy-to-read instructions in Spanish on how to use U.S. products in meal preparation. Even though most Salvadorans are accustomed to U.S. products, tasting before purchasing a new product is still the norm in this market.

New products enter the market in three basic ways. One is by a producer seeking a distributor to carry a product. Another is when a distributor handling a product line is offered or requests new products from a supplier whose brands he already carries. The last, and most common, is when a distributor seeks out suppliers of new products to expand that distributor's line of merchandise. The decision to distribute a product is normally based on price, availability, and some amount of brand awareness. Advertising on U.S. television which is received in El Salvador by cable or direct T.V. influences decision making also, but the most important factor in deciding between or among various available lines is price.

In this market, distributors normally handle products on an "exclusive" basis, most often as representatives of a line of products. This system has its arguable good and bad points. Given the size of the market, fragmentation of a product line would probably reduce the efficient distribution of products. A distributor of a product line is responsible for any promotional activities which are carried out for those products. Because of this exclusivity by distributors, one consideration for the potential supplier is the possibility of conflict of the supplier's product with a similar item already in the distributor's product line.

Most distributors who deal in exclusive product lines have employees who handle the product line on the shelves and display centers of the supermarkets. It is normal to find several people in a supermarket who work for various distributors, stocking shelves, cleaning individual items, setting up promotional displays, and sometimes handing out samples. Distributors also carry out ad campaigns in the store, on the radio, television, at sporting events, and in local newspapers. The distributors are fairly sophisticated at this and a budget from the supplier is normally expected for this purpose.

In summary, to introduce a new product to the Salvadoran market it's suggested to appoint a local agent/distributor to handle product distribution. Some sales to supermarket chains can be done directly as this trend is increasing. Once one has a local representative, it is highly recommended to do a promotion that includes product information and sampling so that the product becomes well known to the consumer. There have been experiences where even a well known U.S. product with excellent quality has not sold because customers did not recognize it or did not dare try it. The same is true for frozen products, which are just beginning to appeal to the Salvadoran consumer and are viewed by supermarket purchasing managers as an area to be developed. A good place to get acquainted with local distributors are food and beverage shows. Salvadoran distributors like to keep up-to-date on new developments in the food industry and find food shows as an excellent opportunity to do business.

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Processed Fruit and Vegetables

- Breakfast Cereals
- Pet Foods (Dog and Cat)
- Meat Sausages
- Wine
- Ramen Style Soups
- Dairy Products
- Fresh and Frozen Potatoes
- Salad Dressings
- Apples
- Grapes
- Stone Fruit
- Pork Cuts for HRI & Retail
- Beef Cuts for HRI & Retail
- Sardines
- Snacks (including candies and chocolates)
- Cookies
- Food Processing Ingredients (i.e. potato flakes, raisins, concentrated juice)
- Hash Browns
- Breakfast beef patties

Selection criteria has been based on findings through the Unified Export Strategy (UES), market surveillance, and suggestions by industry players.

V. KEY CONTACTS AND FURTHER INFORMATION

- Office of Agricultural Affairs
U.S. Embassy San Salvador
Contact: Miguel F. Herrera
Agricultural Specialist
Address: Blvd. Santa Elena y Calle Conchagua
Antiguo Cuscatlan, La Libertad; El Salvador
Phone: (503) 279-0569/278-4444, Ext. 1412/1414
Fax (503) 278-3351
E-mail: miguel.herrera@usda.gov

Major Regulatory Agencies

- 1- Agency: Ministerio de Salud Pública y Asistencia Social (MPHSA).
Departamento de Saneamiento Ambiental (DSA).
Contact: Ing. Ana Lila de Urbina
Address: Alameda Roosevelt, Edificio Laboratorio Central
Dr. Max Bloch, San Salvador.
Phone: (503) 271-3607, 271-1282, 271-1288
Fax: (503) 260-6835
E-mail: dpsanamb@es.com.sv
- 2- Agency: Ministerio de Agricultura y Ganadería.
Dirección General de Sanidad Animal y Vegetal.
Contact: Ing. Luis Rafael Arevalo
Address: Final 1 Ave. Norte, Santa Tecla,
La Libertad, El Salvador.
Phone: (503) 288-5220
Fax: (503) 228-9029

Local Contacts

- 1- Agency: Ministerio de Economía. Dirección General
de Protección al Consumidor.
Contact: Lic. Mario Cruz
Address: Plan Maestro, Centro de Gobierno entre
Calle Guadalupe y Avenida Juan Pablo II,
San Salvador.
Phone: (503) 231-5909/281-1122
Fax: (503) 221-6434
E-mail: www.minec.gov.sv/dpc
- 2- Agency: Centro para la Defensa del Consumidor
Contact: Lic. José Armando Flores
Address: Urbanización La Florida, Pasaje Las
Palmeras y final Pasaje Los Pinos # 8
San Salvador.
Phone: (503) 260-8611/260-8613
Fax: (503) 260-2621
- 3- Agency: Camara de Comercio e Industria de El Salvador.
(Salvadoran Chamber of Commerce)
Contact: Maria del Rosario de Barriere

Address: 9 Avenida Norte y 5 Calle Poniente,
San Salvador.

Phone: (503) 244-2000

Fax: (503) 271-4461

E-mail: rbarriere@camarasal.com

4- Agency: Dirección General de Sanidad Animal
y Vegetal. Division de Cuarentena.
(Quarantine Division)

Contact: Dr. Oscar Luis Meléndez

Address: Final 1 Ave. Norte, Santa Tecla,
La Libertad, El Salvador.

Phone: (503) 241-1773, 228-4443

Fax: (503) 228-2720

E-mail: www.quarentena.dgsva@mag.gob.sv

5- Agency: Dirección de General Sanidad Animal
y Vegetal. Departamento de Inspección
de Productos de Origen Animal (IPOA).
(Animal Origin Product Inspection Division)

Contact: Dr. Mario Cromeyer Milla

Address: Cantón El Matazano, Soyapango,
San Salvador.

Phone: (503) 294-0580

Fax: (503) 294-0580

E-mail: www.ipoadgsva@telemovil.com

6- Agency: Regional Organization for Agricultural
Sanitation (OIRSA)

Contact: Ing. Edwin Aragón

Address: Final 1a. Avenida Norte y Avenida
Manuel Gallardo, Santa Tecla,
La Libertad, El Salvador

Phone: (503) 228-7841/228-7899

Fax: (503) 228-7823

E-mail: www.oirsarep@telemovil.com

7- Agency: National Council for Science and
Technology (CONACYT)
Contact: Ing. Evelyn de Vanegas
Address: Colonia Medica, Avenida Dr. Emilio Alvarez,
Pasaje Dr. Guillermo Rodriguez Pacas # 51, San Salvador.
Phone: (503) 226-2800/226-2899/225-6222
Fax: (503) 225-6255
E-mail: evanegas@conacyt.gob.sv

8- Agency: Salvadoran Distributors Association (ADES)
Contact: Lic. Sonia Cecilia Jule
Executive Director
Address: Plaza Suiza, 3a. Planta Local C-5,
San Salvador, El Salvador.
Phone/Fax: (503) 223-6574, 245-3359
E-mail: ades@salnet.net

APPENDIX I. STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION - 2002

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	690/32
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Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	418.2/8
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	7/14
Total Population (Millions)/Annual Growth Rate (%)	6.4/2.0
Urban Population (Millions)/Annual Growth Rate (%)	3.6/1.2
Number of Major Metropolitan Areas 1/	1
Size of Middle Class (Millions)/Growth Rate (%) 2/	1.2/1.5
Per Capita Gross Domestic Product (U.S. Dollars)	2,191.5
Unemployment Rate (%)	6.2
Per Capita Food Expenditures (U.S. Dollars)	921.5
Percent of Female Population Employed	42
Exchange Rate (U.S. \$1=X.X Colones) 3/	8.75

1/Population in excess of 1,000,000.

2/Households earning \$400 per month and above.

3/El Salvador decided to dollarize the economy on January 2000.

B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORT

El Salvador Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	1998 (\$ Millions)	1999	2000	1998 (\$ Millions)	1999	2000	1998	1999	2000
CONSUMER-ORIENTED AG TOTAL	259	297	355	60	71	77	23	24	22
Snack Foods (Excl. Nuts)	20	21	24	2	3	4	11	13	17
Breakfast Cereals & Pancake Mix	11	11	9	1	2	2	13	22	22
Red Meats, Fresh/Chilled/Frozen	22	25	31	2	3	2	9	10	6
Red Meats, Prepared/Preserved	10	10	9	2	2	3	17	21	33
Poultry Meat	1	1	1	1	1	1	17	29	29
Dairy Products (Excl. Cheese)	47	50	47	5	5	6	10	11	13
Cheese	13	16	23	2	4	4	17	24	17
Eggs & Products	3	3	2	1	1	1	18	48	48
Fresh Fruit	19	29	40	8	10	6	44	34	15
Fresh Vegetables	4	13	6	1	1	1	16	6	2
Processed Fruit & Vegetables	11	14	14	3	5	5	28	34	36
Fruit & Vegetable Juices	7	8	9	1	1	1	16	16	11
Tree Nuts	1	1	1	1	1	1	19	19	19
Wine & Beer	3	4	4	1	1	1	34	21	21
Nursery Products & Cut Flowers	1	1	1	1	1	1	11	11	11
Pet Foods (Dog & Cat Food)	2	2	3	1	1	2	50	48	67
Other Consumer-Oriented Products	85	90	108	29	31	40	35	35	37
FISH & SEAFOOD PRODUCTS	8	6	7	1	1	1	7	15	14
Salmon	1	1	1	1	1	1	46	48	48
Surimi	0	1	1	0	1	1	0	88	88
Crustaceans	1	1	1	1	1	1	56	53	53
Groundfish & Flatfish	1	1	1	0	1	1	0	24	24
Molluscs	1	1	1	1	1	1	81	43	43
Other Fishery Products	7	5	5	1	1	1	2	5	4
AGRICULTURAL PRODUCTS TOTAL	552	593	632	253	245	254	46	41	40
AGRICULTURAL, FISH & FORESTRY TOTAL	588	626	666	256	249	257	44	40	39

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistics

C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

EL SALVADOR IMPORTS

CONSUMER-ORIENTED AG TOTAL			
(\$1000)	1998	1999	2000
United States	60223	70845	76506
Guatemala	54832	66622	109790
Nicaragua	26205	30064	41707
Mexico	22023	33237	29530
Costa Rica	20421	25493	26921
Honduras	15747	17661	23990
New Zealand	11429	11810	10011
Netherlands	9925	6177	6167
Chile	5006	6335	5808
Panama	3844	3499	5140
Denmark	7051	5011	3557
Canada	1596	2869	2698
Argentina	898	1154	1413
Colombia	702	946	1365
Spain	2096	1475	1222
Other	17232	14256	9265
World	259227	297463	355134

FISH & SEAFOOD PRODUCTS			
(\$1000)	1998	1999	2000
United States	575	844	890
Costa Rica	5168	3186	4224
Honduras	35	275	871
Morocco	417	496	400
Norway	648	270	358
Nicaragua	42	64	230
Chile	164	214	201
Guatemala	21	62	154
Ecuador	31	0	44
Panama	172	171	29
Peru	5	33	25
Mexico	62	44	17
Spain	94	48	14
Venezuela	5	0	12
Italy	0	1	3
Other	465	72	1
World	7911	5783	7479

Source: United Nations Statistics Division

***2002 trade data is not available.**